



The National Budget- What's in it for you?

Thursday 6th May 2009

In his recent budget presentation, the Prime Minister outlined some initiatives which are meant to assist Saint Lucians during these trying economic times. In this week's **Money Talks**, we focus on three of those initiatives that would have an immediate impact on most people's pockets.

Increased Personal Income Tax Threshold

This proposal is to increase the threshold from \$16,000.00 to \$17,000.00. This increase would serve two purposes: firstly, it would free up a number of people who are on the borderline of the threshold and in need of relief; secondly, it would make additional income available for tax payers in general, thus increasing their spending power. This will be effective from January 1st, 2009.

Increased Deductions for Mortgage Interest

This tax initiative involves an increase in the maximum amount deductible for mortgage interest from \$15,000.00 to \$18,000.00 for existing customers and \$20,000.00 for the first two years for first-time home owners. The \$15,000.00 deduction was established in 1980 but mortgages have certainly gotten more expensive since then so this is a welcome development for current and prospective home owners. The Prime Minister has also indicated that this increase in the deduction will be effective from January 1st 2009.

Implementation of Fuel Price-Pass-Through Mechanism

The further reduction in the price of fuel both for vehicle and home use can only help to relieve the financial pressure that most of us are feeling. The recent price increases we have witnessed in all areas, especially food items, were all blamed on the rising price of fuel. The decline in fuel prices have had an effect on the cost of certain food items making them more affordable, and the National Consumer Association recently reported that this is indeed the case from their own monitoring.

In addition to this, the Prime Minister has announced that a price-pass-through mechanism will be put in place whereby Saint Lucians would be affected directly from decreases or increases in the price of fuel. In the past, the price of fuel was fixed but now through this mechanism, as world prices decrease so would the price paid by consumers. However, it must be remembered that the converse is also true. The price decrease came into effect the first week in May.

These initiatives, once implemented, should have a positive impact on the spending power of most Saint Lucians. We do urge that people continue to practice good financial habits such as saving and budgeting which should be made easier by the extra cash that the above initiatives should generate.